



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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May 1, 2015

The Honorable Jim Beall
California State Senate
State Capitol, Room 5066
Sacramento, CA 95814

Subject: **BOE Support for SB 321**

Dear Senator Beall:

The Board of Equalization (BOE) supports your Senate Bill (SB) 321 related to the fuel tax swap. Since the passage of the fuel tax swap legislation in 2010, the BOE has worked with the Department of Finance to determine the appropriate excise tax rate adjustments to maintain revenue neutrality. Your bill makes several administrative changes that are intended to reduce volatility of the revenues generated by the gasoline tax.

Your bill offers the following benefits:

- **Reduces revenue volatility.** The two main fuel tax swap factors are the forecast and the true-up. The forecast portion consists of estimating fuel price and consumption. This bill provides a five-year average fuel price estimate weighted by known fuel price data. The improvements to the fuel price forecast will reduce the large revenue swings associated with dramatic gas price changes, which should assist state and local governments in preparing multiyear transportation budgets.
- **Maintains revenue neutrality.** This bill provides specifics to assist with the forecast of fuel prices, and adjustments as needed, and maintains the goal of revenue neutrality.

If you have any questions please contact Michele Pielsticker, Chief, Legislation and Research Division, at (916) 322-2376.

Sincerely,

Cynthia Bridges
Executive Director

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